

ASSEMBLY BILL

No. 1525

**Introduced by Committee on Utilities and Commerce
(Assembly Members Rendon (Chair), Achadjian, Bonilla, Burke,
Eggman, Cristina Garcia, Roger Hernández, Quirk, Santiago,
and Williams)**

March 16, 2015

An act to repeal Section 397 of the Public Utilities Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

AB 1525, as introduced, Committee on Utilities and Commerce. Electrical restructuring.

Existing law, enacted as part of electrical restructuring, required the Public Utilities Commission to authorize an electrical corporation meeting specified conditions to implement a rate cap mechanism that included a fuel price index mechanism to ensure the continued safe and reliable provision of electric service during the transition to competition and to limit the effect of fuel price volatility in electric rates paid by consumers. This requirement became inoperative on December 31, 2001.

This bill would repeal the above-described requirement.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 397 of the Public Utilities Code is
2 repealed.

397. ~~(a) Notwithstanding subdivision (a) of Section 368, to ensure the continued safe and reliable provision of electric service during the transition to competition, and to limit the effect of fuel price volatility in electric rates paid by California consumers, it is in the public interest to allow an electrical corporation which is also a gas corporation and served fewer than four million customers as of December 20, 1995, to file with the commission a rate cap mechanism which shall include a Fuel Price Index Mechanism requiring limited adjustments in an electrical corporation's authorized System Average Rate in effect on June 10, 1996, to reflect price changes in the fuel market. The commission shall authorize an electrical corporation to implement a rate cap mechanism which includes a Fuel Price Index Mechanism provided the following criteria are met:~~

~~(1) The Fuel Price Index Mechanism shall be based on the Southern California Border Index price for natural gas as published periodically in Natural Gas Intelligence Magazine. The "Starting Point" of the Fuel Price Index Mechanism shall be defined as the California Border Index price as published in Natural Gas Intelligence for January 1, 1996.~~

~~(2) The Fuel Price Index Mechanism shall include a "deadband" defined as a price range for natural gas that is any price up to 10 percent higher, or lower, than the Starting Point.~~

~~(3) The electrical corporation shall not file for a change in its authorized System Average Rate unless the California Border Index price, on a 12-month, rolling average basis, is outside the deadband. If the published California Border Index is outside of the deadband, the electrical corporation shall increase, or decrease, its authorized System Average Rate by an amount equal to the product of 25 percent multiplied by the percentage by which the 12-month rolling average natural gas price is higher, or lower, than the deadband.~~

~~(4) In no case shall an electrical corporation's authorized System Average Rate under the Fuel Price Index Mechanism exceed the average of the authorized system average rates for the two largest electrical corporations as of June 10, 1996.~~

~~(5) This section shall become inoperative on December 31, 2001.~~

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